

HAWAII

# Hickam Air Force Base

## Financial Management

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- *\* This information is provided for compliance purposes, only, and is not intended to be a solicitation.*

# Hickam Air Force Base - Financial Management

- Why Do We Need Money?
- Tripling Effect
- Savings – Start Early
- Debt Management
- Create A Budget
- Types of Investment Accounts

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# **Hickam Air Force Base - Financial Management**

## **Why Do We Need Money?**

- ❖ Essentials: Food, Clothes, Home, etc.
- ❖ Luxuries: Travel, Cars, Electronics, Sports Activities, etc.
- ❖ Savings for the Future: Retirement, Children, Education, Home Purchase, etc.

# Emergency Savings and Benefits

➤ **3-6 Months of Expenses**

➤ **Benefits**

❖ **Medical**

❖ **Dental**

❖ **Vision**



# **Hickam Air Force Base - Financial Management**

## **Tripling Effect – Cost of Living**

- ❖ Postage Stamp     \$0.13 - \$0.44
- ❖ Bus Fare     \$0.25 - \$2.25
- ❖ Pay Phone     \$0.10 - \$0.50

# Hickam Air Force Base - Financial Management

## Savings - Starting Early

\$100 per month @ 10% for 10 years = \$20,146

\$100 per month @ 10% for 20 years = \$72,399

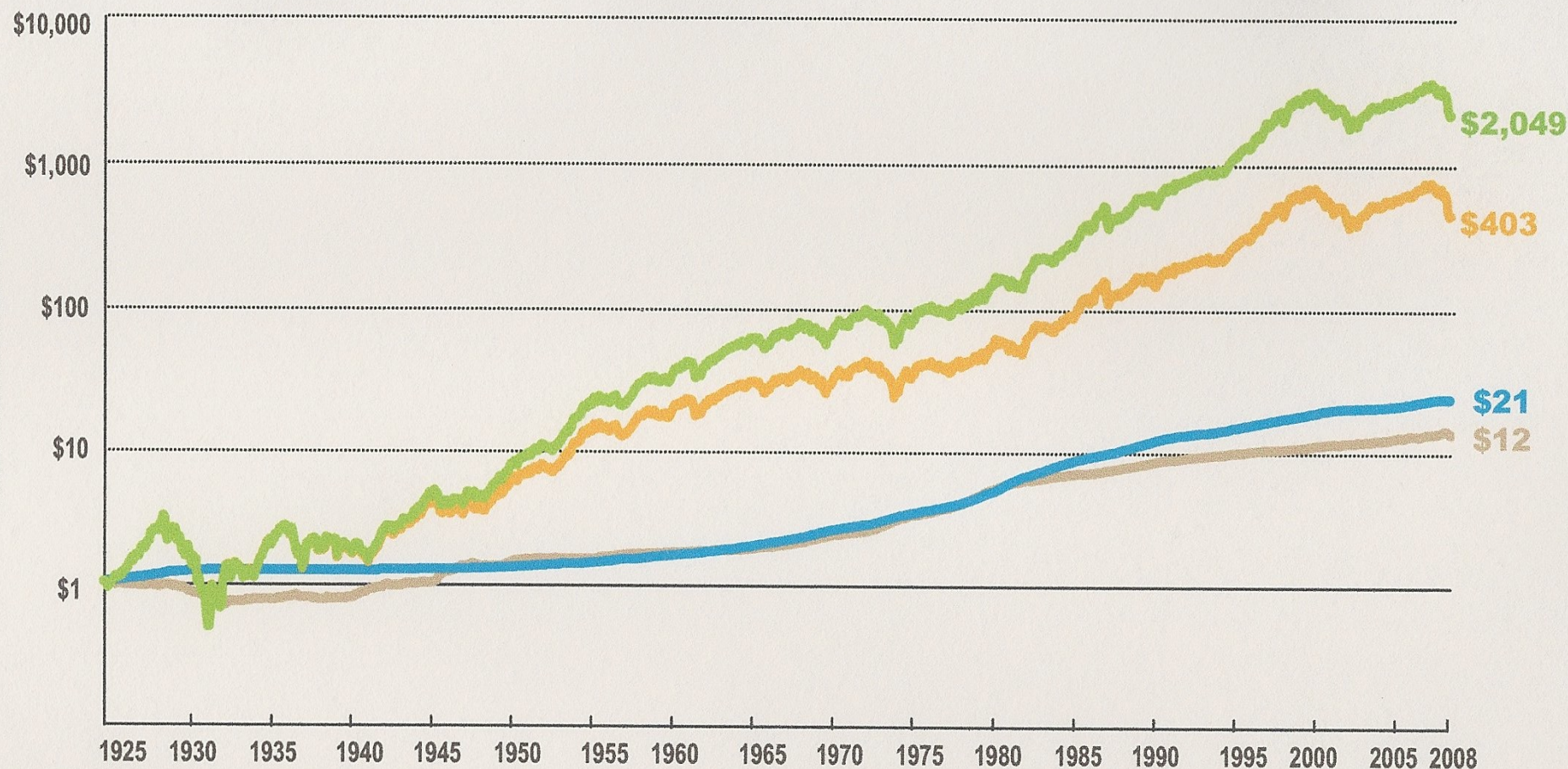
\$100 per month @ 10% for 30 years = \$207,929

\$ 0 per month @ 10% for 30 years = \$0

### Average Annualized Returns

● Large Company Stocks <sup>1</sup> (S&P 500 total return)	9.6%
● Large Company Stocks <sup>1</sup> (after taxes)	7.5%
● T- Bills (30 day)	3.7%
● Inflation (CPI)	3.0%

# Financial Markets 1925 - 2008





# **Hickam Air Force Base - Financial Management**


## **Debt Management**

- ❖ Credit Cards
- ❖ When Is Debt OK?
- ❖ Bad Credit and Bankruptcy

# **Hickam Air Force Base - Financial Management**

## Create A Budget

- ❖ Know Where Your Money Is Going
- ❖ Live Within Your Means

 <b>WEDBUSH MORGAN SECURITIES</b> <i>Investment Bankers for Entrepreneurs™</i>				
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		Honolulu, HI 96813		
Date		800-354-8009 808-532-9699 Fax		
		<b>Brian S.C. Ching, Financial Advisor</b>		
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		Retirement Planning Specialist		
		808-532-9292 808-221-3592 Cell		
<b>Budget Worksheet for</b>				
<b>INCOME:</b>	Primary Individual's Income			\$
	Secondary Individual's Income			
	Rental Income			
	Other Income			
	<b>Total Income (A)</b>			\$
<b>EXPENSES:</b>	Mortgage (Rate: _____ % - Var. or Fixed / _____ Years Remaining)			\$
	Maintenance Fees			
	Rent			
	Car Loan (Rate: _____ % - Var. or Fixed / _____ Months Remaining)			
	Personal Loan (Rate: _____ % - Var. or Fixed / _____ Months Remaining)			
	Personal Loan (Rate: _____ % - Var. or Fixed / _____ Months Remaining)			
	Credit Cards (Rate: _____ % - Var. or Fixed)			
	Credit Cards (Rate: _____ % - Var. or Fixed)			
	Credit Cards (Rate: _____ % - Var. or Fixed)			
	Telephone			
	Electricity			
	Water			
	Gas			
	Cable			
	Cellular Phone			
	Pager			
	Car Insurance			
	Gasoline			
	Food			
	Household Supplies			
	Entertainment			
	Clothing			
	Life Insurance			
	Miscellaneous			
	Miscellaneous			
	Miscellaneous			
	<b>Total Expenses (B)</b>			\$
	<b>Net Cash Flow Before Savings (A - B)</b>			\$
	Allowance for Savings (C)			\$
	<b>Excess Cash Flow for Personal Spending (A - B - C)</b>			\$

# **Hickam Air Force Base - Financial Management**

## **Types of Investment Accounts**

- ❖ Personal
- ❖ Employer Sponsored Retirement Plans
- ❖ Individual Retirement Accounts (IRAs) – Traditional and Roth
- ❖ Education Savings Plan
- ❖ 529 Plan
- ❖ Insurance



# Employer Sponsored Retirement Plans



# Thrift Savings Plan (TSP), 401(k) Plans, 403(b) Plans, SEP, Deferred Compensation, Profit Sharing, Money Purchase Plan, . . .

- Tax Deferral
- Employee Elective Deferral
- Matching Contributions
- Employer Contributions
- Loan Provisions

# Traditional IRA vs. Roth IRA (Individual Retirement Accounts)

## Traditional IRA

- Annual Contributions - **Tax Deductible**
  - ❖ \$5,000 Max. Starting in 2008
  - ❖ Catch-Up Provision
- Tax Deferred Growth

## Roth IRA

- Annual Contributions - **Not Tax Deductible**
  - ❖ \$5,000 Max. Starting in 2008
  - ❖ Catch-Up Provision
- Tax Deferred Growth



# Traditional IRA vs. Roth IRA (Individual Retirement Accounts)

## Traditional IRA

- Withdrawal - after age 59½

❖ **Taxable**

## Roth IRA

- Withdrawal - after five years and age 59½

❖ **Tax-Free**



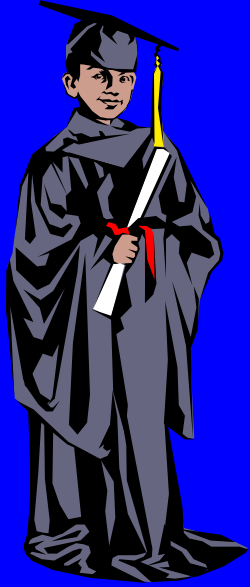


# Roth IRA Withdrawals

## Roth IRA

- Withdrawal - prior to age 59½
  - ❖ Taxed and 10% penalty, except:
    - First time home purchase
    - Qualified higher education expenses
    - Catastrophic Medical Expenses
    - Payment of Medical Insurance Premiums during periods of unemployment
    - Substantially equal, periodic payments

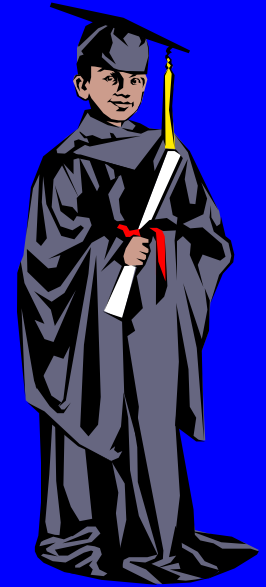




# Education Savings Plan

- Annual Contributions - Not Tax Deductible
  - ❖ \$2,000 Maximum Annual Contribution
  - ❖ Up to Beneficiary's 18th birthday
- Tax Deferred Growth
- Tax-Free Withdrawals
  - ❖ Qualified elementary, secondary, and higher education expenses
- Withdrawal - other than for education
  - ❖ Taxed and 10% penalty
  - ❖ Must be withdrawn by Beneficiary's 30th birthday

# 529 Plan



- Contributions - Not Tax Deductible
  - ❖ Up to \$65,000 Per Contributor or \$130,000 for a Married Couple
- Tax Deferred Growth
- Tax-Free Withdrawals
- Withdrawal - other than for education
  - ❖ Taxed and 10% penalty
  - ❖ May change Beneficiary and Participant

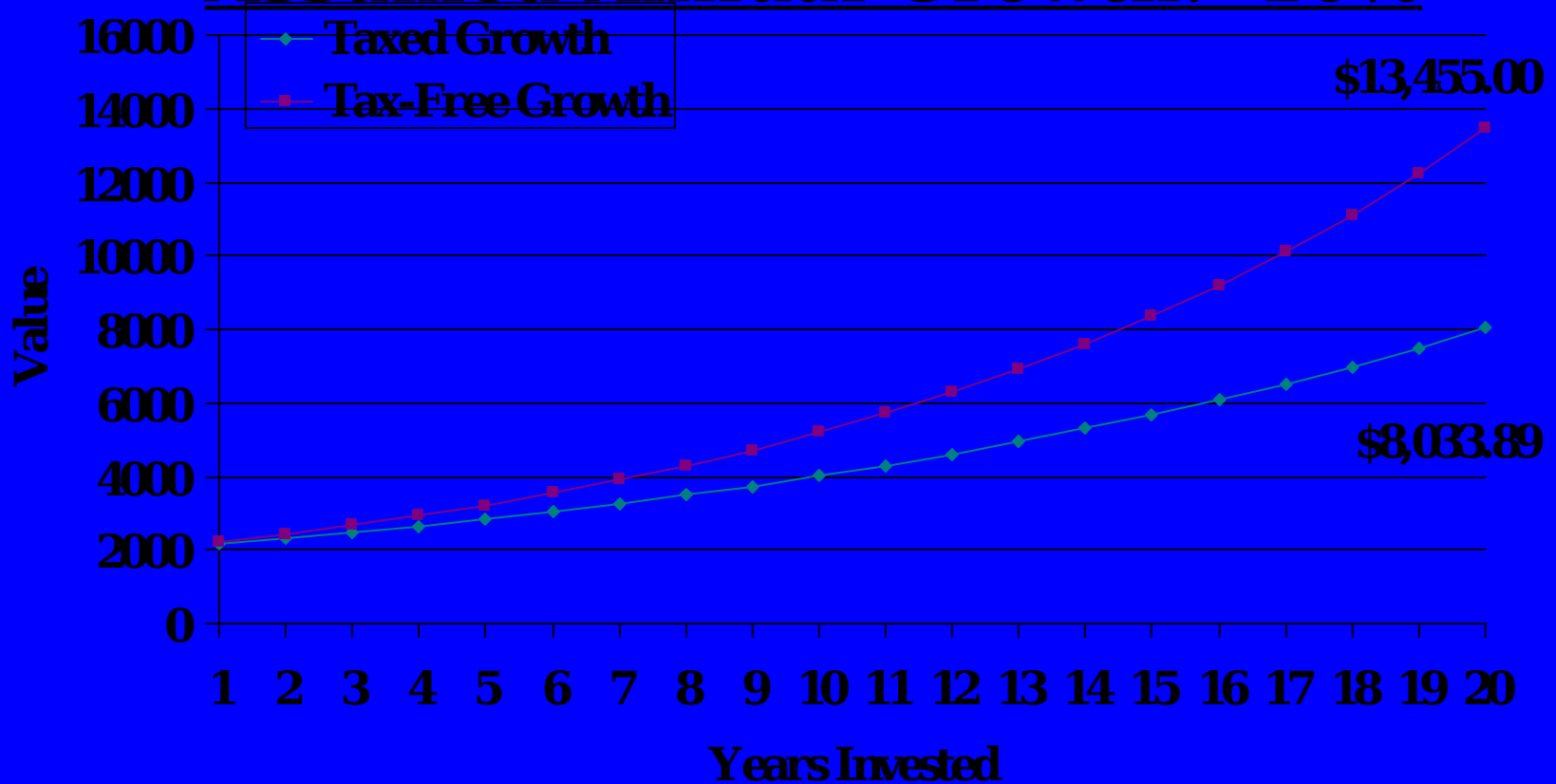


# Insurance

- **Replace Lost Income Stream**
- **Provide Financial Security**
- **Protect Assets**
- **Term vs. Whole Life**

# Taxed Growth vs. Tax-Free Growth

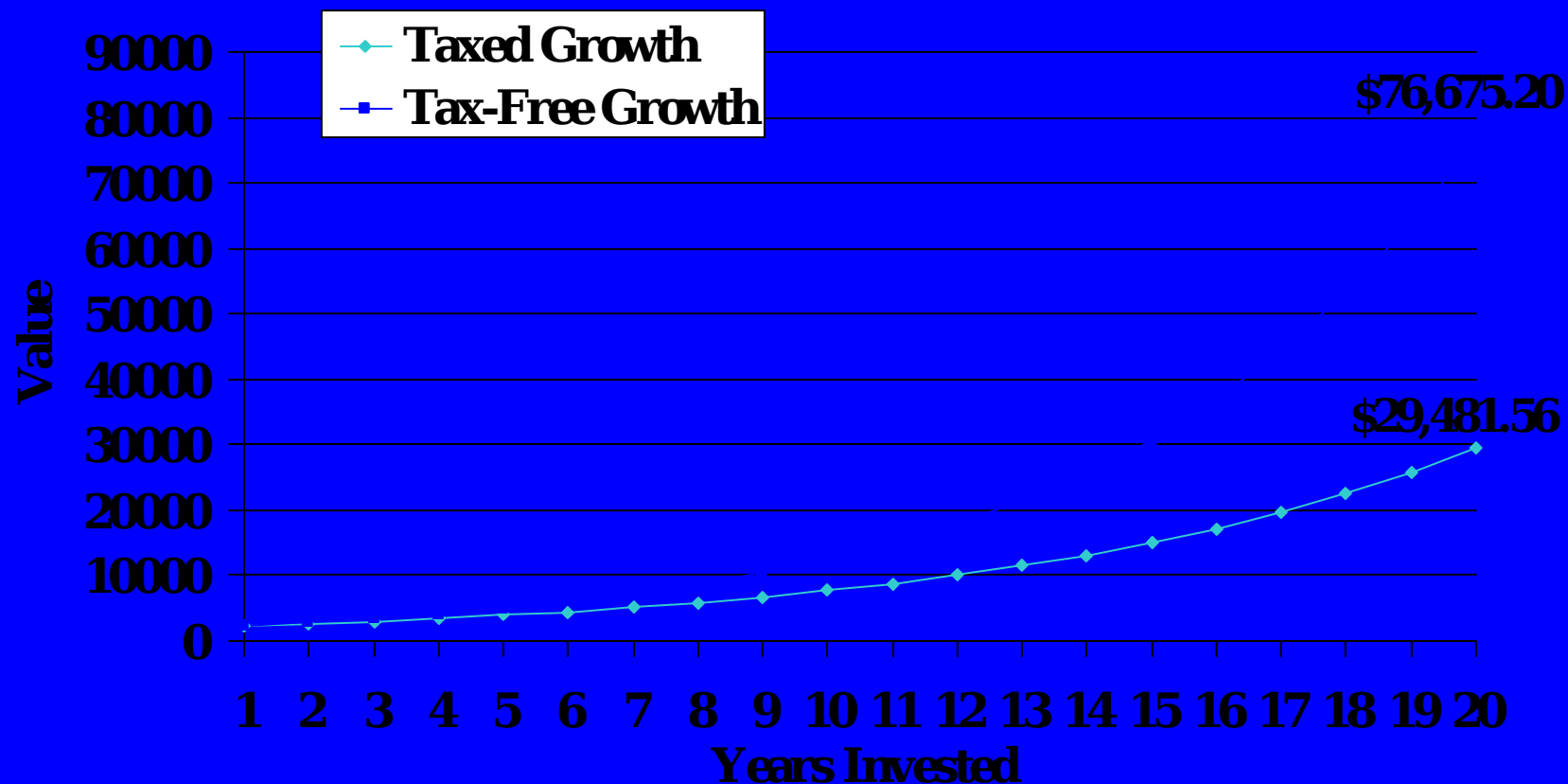
**Assumed Annual Growth: 10%**



**Note:** These figures are only estimates and do not represent any particular investment.

# Taxed Growth vs. Tax-Free Growth

Assumed Annual Growth: 20%



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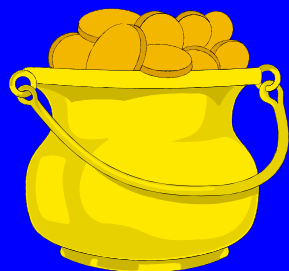
**Traditional IRA**

**Roth IRA**

**Stocks**

**Savings**

**Bonds**



**CDs**



**Mutual Funds**

**Education Acct**

**Investment  
Acct**

**You Can Be Young Without  
Money,  
But You Can't Be Old Without It.**

*Tennessee Williams*

